

April 13, 2010

UTILITIES COMMISSION

April 13, 2010

7:00 p.m.

The Stafford County Utilities Commission met for its regular meeting on April 13, 2010, in the A, B, C Conference Room in the Stafford County Administration Center. Commission members present were Steven Apicella, Rick Carroll, Lloyd Chittum, Bob Gibbons, Danny Kim, Bill Tignor and Clarence Young. Paul Bender and Dan Schroeder were present for PFM, our financial advisor. Harry Critzer, Dale Allen, Susan Fitzgibbon, Cheryl Giles and Mike Smith were present for the Utilities Department.

Public Presentations – Mr. Paul Waldowski stated he has filed a court case against the Stafford Meadows management company and that he would like to receive a fair and equitable water bill from the county instead of having the management company pocket the money.

Mr. Chittum asked Mr. Waldowski if he has a contract with the county. Mr. Waldowski responded he does not have a contract with the county and is unaware of who has the contract. Mr. Critzer commented the contract is with the Stafford Meadows Homeowners Association (HOA).

Mr. Carroll asked if the HOA provides water or water and sewer. Mr. Critzer responded it has both water and sewer.

Mr. Apicella inquired if a monthly fee is paid to the HOA and what is included in the monthly fee. Mr. Waldowski responded a monthly fee is paid and that trash collection and common areas are included in the fee. The water bill is paid separately.

Commission Members' Comments – Mr. Tignor expressed his appreciation to members for their efforts in having the Commission's recommendation of the P.I.L.O.T. program presented to the Board of Supervisors.

Director's Report – Mr. Critzer reported the following items:

- Due to the sewage overflows that occurred during May-August last year in the Aquia Harbour area, DEQ approached Utilities about signing a consent order. As part of the consent order, there was a proposed civil charge of \$61,750. Utilities negotiated with DEQ to have the amount lowered by 30%. Utilities are

still obligated to pay a civil charge of \$42,325. Ten percent of that amount will go to DEQ. The other 90% will be donated to the Tri-County City Soil & Water Conservation District, which will do one or more environmental projects along Aquia Creek.

- Abel Lake was notified by the Health Department that they won another Bronze Excellence Award for performance of their filters in 2009. Both wastewater treatment facilities received a similar award from Aqua Aerobics for performance of their filters in 2009.
- At the April 20th Board of Supervisors meeting, staff along with Human Services will propose to adopt and approve a program called the Stafford Safety Net. The program is designed to help residents who may have fallen through the crack that are unable to qualify to get help from programs that Social Services offer. Staff will propose that Utilities allow its customers to voluntarily donate on a one-time or recurring basis an amount that they want to go in a fund that would be administered by Human Services. Staff is also attempting to get approval of a program called the Round It Up program which would allow a customer to round their bill up to the next dollar amount (i.e.- a bill is \$41.20, it would be rounded up to \$42.00). The difference in the amount would go in a fund administered by Human Services. Currently our financial software cannot handle the Round It Up program.

Following discussion regarding details of the Stafford Safety Net program, Mr. Apicella made a motion that the Utilities Commission recommend an endorsement of the concept of the Stafford Safety Net program to the extent that it has structure and is administered in a fair and equitable manner and that residents are given other opportunities to donate to this fund through other means than the Utilities fund (i.e. via property taxes). The motion was seconded by Lloyd Chittum and passed with a 6-1 vote. Mr. Carroll was the opposing vote.

Mr. Gibbons expressed concern that the Board's actions are not being presented to the Commission and recommended receiving a strategic plan or checklist of expenditure items prior to when Board meetings are held.

Mr. Apicella requested that discussion of utilities expenditures at BOS meeting be added under New Business on the agenda.

Unfinished Business–Utilities Finance/Fiscal Policy – Susan Fitzgibbon reported the targeted timeline has changed slightly since the Commission last met in March. The targeted date for a public hearing to be held by the Commission is May 11th and for a recommendation for the BOS public hearing to be held June 1st.

Ms. Fitzgibbon explained that with the 3%, 7%, and 8% rate recommendation there is also the assumption that changes to the fiscal policy would need to be implemented. The proposed fiscal policy is a means to ensure that the Utilities Department maintains its sound financial positioning and will therefore be able to maintain (or, at some point, improve) its current bond rating. In the proposed fiscal policy, the senior debt service coverage ratio would be 1.5x the annual debt service and the debt service coverage, excluding non-recurring revenue, would be 1.0x the annual debt service.

Mr. Apicella inquired why the increase from 1.2x senior debt service coverage in the current covenant to the 1.5x senior debt service coverage in the proposed policy. Ms. Fitzgibbon responded the covenants are less restrictive than our financial policy. A more restrictive fiscal policy would help to hold or improve our bond rating. Covenants are typically easier to meet than a fiscal policy. Mr. Apicella then asked how it is determined that 1.5x is the best ratio. Dan Schroeder explained that it is determined through research of what the median rates are for debt service ratio coverage, cash reserves, and upon similar Utilities financial policies.

Mr. Apicella asked how the lack of a financial policy affects a utilities bond rating. Mr. Schroeder responded it is viewed negatively because the only control over what debt is issued is what it is legally allowed to issue under a bond resolution. Ms. Fitzgibbon commented it is important that we keep an eye on the bond rating because within the next three years we will need to borrow a sizeable amount of funds. A good bond rating generally reduces the cost of borrowing, which would mean less cost that would need to be passed on to rate payers.

Paul Bender explained that each policy requirement item should be looked at collectively instead of individually. The policy requirements have been set at the minimum amount to continue to maintain a AA bond rating. Mr. Bender stated the following three items should be the overall objectives for the fiscal policy:

1. Maintain Utilities operations and complete all priority CIP projects.
2. Maintain reasonable rates.
3. Maintain bond rating.

Following discussion about the objectives for the fiscal policy, Mr. Apicella made a motion to recommend a public hearing regarding the proposed rate increases be held at the May 11th Utilities Commission meeting. The motion was seconded by Bill Tignor and passed unanimously.

Mr. Apicella suggested the Commission revisit the rate increases after the initial bid costs of Rocky Pen Run are completed. Mr. Apicella also recommended that maintaining an annual spending plan should be added to the fiscal policy. The Commission agreed to discuss the fiscal policy objectives at the next Commission meeting.

Mr. Apicella inquired about a question that was asked in an e-mail by Mr. Gibbons. The question was "Can we build and open the Rocky Pen Run WTF, but close one of the other water treatment facilities?" Mr. Apicella asked for the net cost, staff's recommendation and how it would be beneficial if a water treatment facility was closed. Mr. Critzer explained that if we shut down Abel Lake WTF, the initial savings would be \$2.4M, but we would need to use that amount to purchase the 5 MGD of membranes to expand the Rocky Pen Run WTF to a 10 MGD facility. Staff would need to meet with design engineers to get additional analysis information before providing a recommendation. Mr. Critzer responded it would be beneficial because it would provide a better quality of water and a savings of \$2M a year in operating costs.

Unfinished Business-Golden Tap Award – Following a closed meeting to discuss nominations for the Golden Tap Award, Mr. Chittum reported the following recipients for the Golden Tap Award:

2009–Harry Critzer

2010-Janet Spencer

New Business-Expenditures – Mr. Apicella recommended that staff inform the Commission of expenditures relating to the execution of contracts prior to them being presented to the Board of Supervisors (BOS). Mr. Critzer responded that staff would begin to send out e-mails prior to and after BOS meetings listing information that is Utilities related.

Approval of Minutes – Minutes for the March 9, 2010 meeting were approved as written. Mr. Critzer commented the sequence of order on the agenda was different because it was completed based upon the order outlined in the Utilities Commission By-Laws. The Commission recommended the approval of minutes occur after public presentations on the agenda.

There being no further business, the meeting was adjourned at 9:10 p.m.

Respectfully submitted,

William C. Tignor,

Recording Secretary